AMDOCS LTD
Form 20-F
December 09, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

For the transition period from ________ to ________.

Commission File Number 1-14840

AMDOCS LIMITED

(Exact name of Registrant as specified in its charter)

Island of Guernsey

(Jurisdiction of incorporation or organization)

Hirzel House, Smith Street,

St. Peter Port, Island of Guernsey, GY1 2NG

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

(Address of principal executive offices)

Elizabeth W. McDermon

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

Telephone: 314-212-8328

Email: dox_info@amdocs.com

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Ordinary Shares, par value £0.01	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, par value £0.01	160,061,975(1)
(Title of class)	(Number of shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued ¨ by the International Accounting Standards Board	Other ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

(1) Net of 99,605,716 shares held in treasury. Does not include (a) 12,137,186 ordinary shares reserved for issuance upon exercise of stock options granted under our stock option plan or by companies we have acquired, and (b) 24,096 ordinary shares reserved for issuance upon conversion of outstanding convertible debt securities.

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AMDOCS LIMITED

FORM 20-F

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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Unless the context otherwise requires, all references in this Annual Report on Form 20-F to Amdocs, we, our, us and the Company refer to Amdocs Limited and its consolidated subsidiaries and their respective predecessors, and references to our software products, refer to current and subsequent versions. Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are expressed in U.S. dollars. References to dollars or $ are to U.S. dollars. Our fiscal year ends on September 30 of each calendar year. References to any specific fiscal year refer to the year ended September 30 of the calendar year specified. For example, we refer to the fiscal year ending September 30, 2013 as fiscal 2013.

We own, have rights to or use trademarks or trade names in conjunction with the sale of our products and services, including Amdocs and CES, among others.

Forward Looking Statements

This Annual Report on Form 20-F contains forward-looking statements (within the meaning of the U.S. federal securities laws) that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as expect, anticipate, believe, seek, estimate, project, forecast, continue, potential, should, would, could, intend and may, and other words that convey uncertainty outcome. Statements that we make in this Annual Report that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. Although we may elect to update forward-looking statements in the future, we disclaim any obligation to do so, even if our assumptions and projections change, except where applicable law may otherwise require us to do so. Readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of the filing of this Annual Report on Form 20-F.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; the loss of a significant customer; consolidation within the industries in which our customers operate; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these important factors, please read the information set forth below under the caption Risk Factors.

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PART I

ITEM 1. ***IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS***

Not applicable.

ITEM 2. ***OFFER STATISTICS AND EXPECTED TIMETABLE***

Not applicable.

ITEM 3. ***KEY INFORMATION***

Selected Financial Data

Our historical consolidated financial statements are prepared in accordance with U.S. GAAP, and presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the five years ended September 30, 2013 is derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent registered public accounting firm. You should read the information presented below in conjunction with those statements.

The information presented below is qualified by the more detailed historical consolidated financial statements, the notes thereto and the discussion under Operating and Financial Review and Prospects included elsewhere in this Annual Report.

	2013	2012	2011	2010	2009
			(In thousands, except per share data)		
Statement of Operations Data:					
Revenue	$ 3,345,854	$ 3,246,903	$ 3,177,728	$ 2,984,223	$ 2,862,607
Operating income	481,552	442,472	404,364	410,433	367,319
Net income	412,439	391,371	346,665	343,906	326,176
Basic earnings per share	2.56	2.33	1.87	1.70	1.60
Diluted earnings per share	2.53	2.31	1.86	1.69	1.57
Dividends declared per share(1)	0.52	0.13			

	2013	2012	2011	2010	2009
			(In thousands)		
Balance Sheet Data:					
Cash, cash equivalents and short-term interest-bearing investments	$ 1,326,380	$ 1,118,177	$ 1,173,470	$ 1,433,299	$ 1,173,041
Total assets	4,925,813	4,645,223	4,636,572	4,820,604	4,328,417
Long-term obligations					
Convertible Senior Notes(2)	1,020	1,020	1,020	1,020	1,020
Shareholders equity	3,274,783	3,033,202	3,023,301	3,229,380	3,213,053

(1) We instituted a discretionary quarterly cash dividend program in the amount of $0.13 per share commencing in the fourth quarter of fiscal 2012 and with the first payment in the first quarter of fiscal 2013.

(2) During fiscal 2009, we purchased $449.0 million aggregate principal amount of our 0.50% convertible notes. As of September 30, 2013, $1.02 million principal amount of the notes remained outstanding, due in 2024.

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	Ordinary Shares		Additional	
	Shares	Amount	Paid-In Capital	Treasury Stock
		(In thousands)		
Statement of Changes in Shareholders Equity Data:				
Balance as of September 30, 2009	205,079	$ 3,930	$ 2,334,090	$ (919,874)
Employee stock options exercised	1,097	17	23,618	
Repurchase of shares(1)	(13,695)			(389,287)
Issuance of restricted stock, net of forfeitures	568	9		
Equity-based compensation expense related to employees			44,455	
Balance as of September 30, 2010	193,049	$ 3,956	$ 2,402,163	$ (1,309,161)
Employee stock options exercised	2,590	42	56,417	
Repurchase of shares(1)	(21,866)			(624,241)
Issuance of restricted stock, net of forfeitures	919	15		
Equity-based compensation expense related to employees			36,631	
Balance as of September 30, 2011	174,692	$ 4,013	$ 2,495,211	$ (1,933,402)
Employee stock options exercised	3,585	56	86,610	
Repurchase of shares(1)	(16,288)			(484,608)
Issuance of restricted stock, net of forfeitures	465	8		
Equity-based compensation expense related to employees			43,429	
Balance as of September 30, 2012	162,454	$ 4,077	$ 2,625,250	$ (2,418,010)
Employee stock options exercised	7,243	112	213,308	
Repurchase of shares(1)	(10,370)			(367,061)
Issuance of restricted stock, net of forfeitures	735	10		
Equity-based compensation expense related to employees			40,340	
Balance as of September 30, 2013	160,062	$ 4,199	$ 2,878,898	$ (2,785,071)

(1) From time to time, our board of directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. Our current share repurchase plan authorizes the repurchase of up to $500.0 million of our outstanding ordinary shares with no expiration date. In fiscal 2013, we repurchased 10.4 million ordinary shares at an average price of $35.38 per share (excluding broker and transaction fees). As of September 30, 2013, we had remaining authority to repurchase up to $335.9 million of our outstanding ordinary shares. The authorization permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate.

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Risk Factors

We are exposed to general global economic and market conditions, particularly those impacting the communications industry.

Developments in the communications industry, such as the impact of global economic conditions, industry consolidation, emergence of new competitors, commoditization of voice and data services and changes in the regulatory environment, at times have had, and could continue to have, a material adverse effect on our existing or potential customers. In the past, these conditions reduced the high growth rates that the communications industry had previously experienced and caused the market value, financial results and prospects and capital spending levels of many communications companies to decline or degrade. During previous economic downturns, the communications industry experienced significant financial pressures that caused many in the industry to cut expenses and limit investment in capital intensive projects and, in some cases, led to restructurings and bankruptcies. The recent worldwide recession and European debt crisis had, and the continuing uncertainty as to economic recovery may have, adverse consequences for our customers and our business.

Downturns in the business climate for communications companies have in the past resulted in slower customer buying decisions and price pressures that adversely affected our ability to generate revenue. Adverse market conditions may have a negative impact on our business by decreasing our new customer engagements and the size of initial spending commitments under those engagements, as well as decreasing the level of discretionary spending by existing customers. In addition, a slowdown in buying decisions may extend our sales cycle period and may limit our ability to forecast our flow of new contracts. If such adverse business conditions arise in the future, our business may be harmed.

If we fail to adapt to changing market conditions and cannot compete successfully with existing or new competitors, our business could be harmed.

We may be unable to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and to compete successfully with established or new competitors could have a material adverse effect on our results of operations and financial condition. We face intense competition for the software products and services that we sell, including competition for managed services we provide to customers under long-term service agreements. These managed services include management of data center operations and IT infrastructure, application management and ongoing support, systems modernization and consolidation and management of end-to-end business processes for billing and customer care operations.

The market for communications information systems is highly competitive and fragmented, and we expect competition to continue to increase. We compete with independent software and service providers and with the in-house IT and network departments of communications companies. Our main competitors include firms that provide IT services (including consulting, systems integration and managed services), software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services (such as Internet, wireline and wireless services, cable, satellite and service bureaus) and network equipment providers that offer software systems in combination with the sale of network equipment. We also compete with companies that provide digital commerce software and solutions.

We believe that our ability to compete depends on a number of factors, including:

- the development by others of software products that are competitive with our products and services,
- the price at which others offer competitive software and services,
- the ability of competitors to deliver projects at a level of quality that rivals our own,
- the responsiveness of our competitors to customer needs, and
- the ability of our competitors to hire, retain and motivate key personnel.

A number of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors

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have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their abilities to address the needs of our existing or prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their products. We cannot assure you that we will be able to compete successfully with existing or new competitors. If we fail to adapt to changing market conditions and to compete successfully with established or new competitors, our results of operations and financial condition may be adversely affected.

If we do not continually enhance our products and service offerings, we may have difficulty retaining existing customers and attracting new customers.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing products and to introduce new products and features to meet the requirements of our customers in a rapidly developing and evolving market. We are currently devoting significant resources to refining and expanding our base software modules and to developing our customer experience systems. Our present or future products may not satisfy the evolving needs of the communications industry or of other industries that we serve. If we are unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, our business and results of operations could be harmed.

Our business is dependent on a limited number of significant customers, and the loss of any one of our significant customers could harm our results of operations.

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 28% of our revenue in fiscal 2013 and 26% in fiscal 2012. In fiscal 2013, our two next largest customers were Sprint Nextel, Bell Canada and certain of their subsidiaries. Sprint Nextel accounted for less than 10% of our revenue in fiscal 2013 and for 10% in fiscal 2012. Bell Canada accounted for less than 10% of our revenue in each of fiscal 2013 and 2012. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 70% of our revenue in each fiscal 2013 and 2012. The loss of any significant customer, a significant decrease in business from any such customer or a reduction in customer revenue due to adverse changes in the terms of our contractual arrangements or other factors could harm our results of operations and financial condition. Revenue from individual customers may fluctuate from time to time based on the commencement and completion of projects, the timing of which may be affected by market conditions.

Although we have received a substantial portion of our revenue from recurring business with established customers, many of our major customers do not have any obligation to purchase additional products or services from us and generally have already acquired fully paid licenses to their installed systems. Therefore, our customers may not continue to purchase new systems, system enhancements or services in amounts similar to previous years or may delay implementation or significantly reduce the scope of committed projects, each of which could reduce our revenue and profits.

Our future success will depend on our ability to develop and maintain long-term relationships with our customers and to meet their expectations in providing products and performing services.

We believe that our future success will depend to a significant extent on our ability to develop and maintain long-term relationships with successful network operators and service providers with the financial and other resources required to invest in significant ongoing customer experience systems. If we are unable to develop new customer relationships, our business will be harmed. In addition, our business and results of operations depend in part on our ability to provide high quality services to customers that have already implemented our products. If we are unable to meet customers expectations in providing products or performing services, our business and results of operations could be harmed.

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We may seek to acquire companies or technologies that could disrupt our ongoing business, divert the attention of our management and employees and adversely affect our results of operations.

It is a part of our business strategy to pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control market. In the future, we may acquire other companies that we believe will advance our business strategy. We may not be able to identify suitable future acquisition candidates, consummate acquisitions on favorable terms or complete otherwise favorable acquisitions because of antitrust or other regulatory concerns.

We cannot assure you that the acquisitions we have completed, or any future acquisitions that we may make, will enhance our products or strengthen our competitive position. We also cannot assure you that we have identified, or will be able to identify, all material adverse issues related to the integration of our acquisitions, such as significant defects in the internal control policies of companies that we have acquired. In addition, our acquisitions could lead to difficulties in integrating acquired personnel and operations and in retaining and motivating key personnel from these businesses. Any failure to recognize significant defects in the internal control policies of acquired companies or to properly integrate and retain personnel may require a significant amount of time and resources to address. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our results of operations or financial condition.

The skilled and highly qualified workforce that we need to develop, implement and modify our solutions may be difficult to hire, train and retain, and we could face increased costs to attract and retain our skilled workforce.

Our business operations depend in large part on our ability to attract, train, motivate and retain highly skilled information technology professionals, software programmers and communications engineers on a worldwide basis. In addition, our competitive success will depend on our ability to attract and retain other outstanding, highly qualified employees, consultants and other professionals. Because our software products are highly complex and are generally used by our customers to perform critical business functions, we depend heavily on skilled technology professionals. Skilled technology professionals are often in high demand and short supply. If we are unable to hire or retain qualified technology professionals to develop, implement and modify our solutions, we may be unable to meet the needs of our customers. In addition, serving several new customers or implementing several new large-scale projects in a short period of time may require us to attract and train additional IT professionals at a rapid rate. We may face difficulties identifying and hiring qualified personnel. Although we are heavily investing in training our new employees, we may not be able to train them rapidly enough to meet the increasing demands on our business, particularly in light of high attrition rates in some regions where we have operations. Our inability to hire, train and retain the appropriate personnel could increase our costs of retaining a skilled workforce and make it difficult for us to manage our operations, meet our commitments and compete for new customer contracts. In particular, wage costs in some of the countries in which we maintain development centers, such as Cyprus and India, have historically been significantly lower than wage costs in the United States, Europe and Israel for comparably-skilled professionals, although such costs are increasing. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive.

As a result of our entry into the digital commerce space, we now compete for high quality employees in that space s limited and competitive talent market. In addition, cost containment measures effected in recent years, such as the relocation of projects to lower costs countries, may lead to greater employee attrition and increase the cost of retaining our most skilled employees. The transition of projects to new locations may also lead to business disruptions due to differing levels of employee knowledge and organizational and leadership skills. While we have never experienced an organized labor dispute, strike or work stoppage, any such dispute in the future could have a negative impact on our business.

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Our success will also depend, to a certain extent, upon the continued active participation of a relatively small group of senior management personnel. The loss of the services of all or some of these executives could harm our operations and impair our efforts to expand our business.

Our quarterly operating results may fluctuate, and a decline in revenue in any quarter could result in lower profitability for that quarter and fluctuations in the market price of our ordinary shares.

At times, we have experienced fluctuations in our quarterly operating results and anticipate that such movements may continue to occur. Fluctuations may result from many factors, including:

- the size, timing and pace of progress of significant customer projects and license and service fees,
- delays in or cancellations of significant projects by customers,
- changes in operating expenses,
- increased competition,
- changes in our strategy,
- personnel changes,
- foreign currency exchange rate fluctuations,
- penetration of new markets, and
- general economic and political conditions.

Generally, our combined license fee revenue and service fee revenue relating to customization, modification, implementation and integration are recognized as work is performed, using the percentage of completion method of accounting. Given our reliance on a limited number of significant customers, our quarterly results may be significantly affected by the size and timing of customer projects and our progress in completing such projects.

We believe that the placement of customer orders may be concentrated in specific quarterly periods due to the time requirements and budgetary constraints of our customers. Although we recognize a significant portion of our revenue as projects are performed, progress may vary significantly from project to project, and we believe that variations in quarterly revenue are sometimes attributable to the timing of initial order placements. Due to the relatively fixed nature of certain of our costs, a decline of revenue in any quarter could result in lower profitability for that quarter. In addition, fluctuations in our quarterly operating results could cause significant fluctuations in the market price of our ordinary shares.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycle. Information systems for communications companies are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and procurement procedures within an organization. The purchase of these types of products and services typically also requires coordination and agreement across many departments within a potential customer s organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry, our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue. In addition, the lengthening of our sales cycle contributes to increased selling expenses, thereby reducing our profitability.

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We may be required to increase or decrease the scope of our operations in response to changes in the demand for our products, and if we fail to successfully plan and manage changes in the size of our operations, our business will suffer.

In the past, we have both grown and contracted our operations, in some cases rapidly, in order to profitably offer our products and services in a continuously changing market. If we are unable to manage these changes and plan and manage any future changes in the size and scope of our operations, our business will suffer.

Restructurings and cost reduction measures that we have implemented, from time to time, have reduced the size of our operations and workforce. Reductions in personnel can result in significant severance, administrative and legal expenses and may also adversely affect or delay various sales, marketing and product development programs and activities. These cost reduction measures have included, and may in the future include, employee separation costs and consolidating and/or relocating certain of our operations to different geographic locations.

Acquisitions, organic growth and absorption of significant numbers of customers employees in connection with managed services projects have, from time to time, increased our headcount. Our total workforce, which includes employees and consultants, has increased from 17,244 at the end of fiscal 2009 to 20,774 as of September 30, 2013. During periods of expansion, we may need to serve several new customers or implement several new large-scale projects in short periods of time. This may require us to attract and train additional IT professionals at a rapid rate, which we may have difficulties doing successfully.

Volatility and turmoil in the world s capital markets may adversely affect our investment portfolio and other financial assets.

Our cash, cash equivalents and short-term interest-bearing investments totaled $1,126 million, net of short-term debt, as of September 30, 2013. Our policy is to retain sufficient cash balances in order to support our growth. Our short-term investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. Although we believe that we generally adhere to conservative investment guidelines, adverse market conditions have resulted in immaterial impairments during the last three fiscal years of the carrying value of certain of our investment assets. Continuing adverse market conditions may lead to additional impairments. Realized or unrealized losses in our investments or in our other financial assets may adversely affect our financial condition.

Declines in the financial condition of banks or other global financial institutions may adversely affect our normal financial operations.

We may be exposed to the credit risk of customers that have been adversely affected by weakened markets.

We typically sell our software and related services as part of long-term projects. During the life of a project, a customer s budgeting constraints can impact the scope of a project and the customer s ability to make required payments. In addition, adverse general business conditions may degrade the creditworthiness of our customers over time, and we can be adversely affected by bankruptcies or other business failures.

Our international presence exposes us to risks associated with varied and changing political, cultural, legal and economic conditions worldwide.

We are affected by risks associated with conducting business internationally. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region. Although a substantial majority of our revenue is derived from customers in North America and Europe, we obtain significant revenue from customers in the Asia-Pacific region and Latin America. Our strategy is to continue to broaden our North American and European customer bases and to expand into international markets, including emerging markets, such as those in Latin America, the Commonwealth of Independent States, India and Southeast Asia. Conducting business internationally exposes us to certain risks inherent in doing business in international markets, including:

- lack of acceptance of non-localized products,

- difficulties in complying with varied legal and regulatory requirements across jurisdictions, including those applicable to employees and the terms of employment,

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- difficulties in staffing and managing foreign operations,
- longer payment cycles,
- difficulties in collecting accounts receivable and withholding taxes that limit the repatriation of earnings,
- trade barriers,
- difficulties in complying with varied legal and regulatory requirements across jurisdictions,
- immigration regulations that limit our ability to deploy our employees,
- political instability and threats of terrorism, and
- variations in effective income tax rates among countries where we conduct business.

One or more of these factors could have a material adverse effect on our international operations, which could harm our results of operations and financial condition.

As we continue to develop our business in emerging markets, we face increasing challenges that could adversely impact our results of operations, reputation and business.

As we continue to expand our business in emerging markets, such as those in Latin America, the Commonwealth of Independent States, India and Southeast Asia, we face challenges related to more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local laws or regulations and difficulties in recruiting sufficient personnel with appropriate skills and experience. In addition, local business practices in jurisdictions in which we operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements, such as anti-corruption and anti-bribery regulations to which we are subject. It is possible that some of our employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from U.S. federal procurement contracting. If we fail to comply with such legal and regulatory requirements, our business and reputation may be harmed.

Our international operations expose us to risks associated with fluctuations in foreign currency exchange rates that could adversely affect our business.

Although we have operations throughout the world, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating costs are denominated in, or linked to, the U.S. dollar. Accordingly, we consider the U.S. dollar to be our functional currency. Fluctuations in exchange rates between the dollar and the currencies in which such revenues are earned or such costs are incurred may have a material adverse effect on our results of operations and financial condition. From time to time we may experience increases in the costs of our operations outside the United States, as expressed in dollars, which could have a material adverse effect on our results of operations and financial condition.

For example, during the height of the financial crisis in fiscal 2008, we recognized higher than usual foreign exchange losses under interest and other expense, net, mainly due to the significant revaluation of assets and liabilities denominated in other currencies attributable to the rapid and significant foreign exchange rate changes associated with the global economic turbulence. Although our foreign exchange losses have been less significant since then as a result of enhanced hedging strategies, we believe that foreign exchange rates may continue to present challenges in future periods.

Our policy is to hedge significant net exposures in the major foreign currencies in which we operate, and we generally hedge our net currency exposure with respect to expected revenue and operating costs and certain balance sheet items. We do not hedge all of our currency exposure, including for currencies for which the cost of hedging is prohibitively expensive. We cannot assure you that we will be able to effectively limit all of our exposure to currency exchange rate fluctuations.

The imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could also have a material adverse effect on our business, results of operations and financial condition.

Political and economic conditions in the Middle East and other countries may adversely affect our business.

Of the development centers we maintain worldwide, two of our largest development centers are located in Israel and India. In Israel, the centers are located in several different sites, and approximately 23% of our software and information technology, sales and marketing workforce is located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel and its neighboring regions. Any major hostilities involving Israel could have a material adverse effect on our business. We have developed contingency plans to provide ongoing services to our customers in the event that escalated political or military conditions disrupt our normal operations. These plans include the transfer of some development operations within Israel to various of our other sites both within and outside of Israel. If we have to implement these plans, our operations would be disrupted and we would incur significant additional expenditures, which would adversely affect our business and results of operations.

Conflicts in North Africa and the Middle East, including in Egypt and Syria which border Israel, have resulted in continued political uncertainty and violence in the region. Reports of Iran s continuing nuclear development program have seriously strained relations between Israel and Iran. In addition, efforts to improve Israel s relationship with the Palestinian Authority have failed to result in a permanent solution. Further deterioration of relations with the Palestinian Authority or other countries in the Middle East might require increased military reserve service by some of our workforce, which may have a material adverse effect on our business.

In recent years, we have expanded our operations internationally, particularly in India, Southeast Asia and Latin America. Conducting business in these and other countries involves unique challenges, including political instability, threats of terrorism, the transparency, consistency and effectiveness of business regulation, business corruption, the protection of intellectual property, and the availability of sufficient qualified local personnel. Any of these or other challenges associated with operating in these countries may adversely affect our business or operations. We have development and other facilities at multiple locations in India, and approximately 37% of our software and information technology, sales and marketing workforce is located in India. Terrorist activity in India and Pakistan has contributed to tensions between those countries and our operations in India may be adversely affected by future political and other events in the region.

If we are unable to protect our proprietary technology from misappropriation, our business may be harmed.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. Our software and software systems are largely comprised of software and systems we have developed or acquired and that we regard as proprietary. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights, non-disclosure agreements and other methods to protect our proprietary rights. We enter into non-disclosure and confidentiality agreements with our customers, workforce and marketing representatives and with certain contractors with access to sensitive information, and we also limit our customer access to the source codes of our software and our software systems. However, we generally do not include in our software any mechanisms to prevent or inhibit unauthorized use.

The steps we have taken to protect our proprietary rights may be inadequate. If so, we might not be able to prevent others from using what we regard as our technology to compete with us. Existing trade secret, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect our proprietary technology or allow enforcement of confidentiality covenants to the same extent as the laws of the United States.

If we have to resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, protracted and expensive and could involve a high degree of risk.

Claims by others that we infringe their proprietary technology could harm our business and subject us to potentially burdensome litigation.

Our software and software systems are the results of long and complex development processes, and, although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of readily available software components that we license from third parties, including our employees and contractors. As a developer of complex software systems, third parties may claim that portions of our systems violate their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours.

We expect that software developers will increasingly be subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. In addition, patent infringement claims are increasingly being asserted by patent holding companies, which do not use the technology subject to their patents, and whose sole business is to enforce patents against companies, such as us, for monetary gain. Any claim of infringement by a third party could cause us to incur substantial costs defending against the claim and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products or offering our services, or prevent a customer from continuing to use our products. We support service providers and media companies with respect to digital content services, which could subject us to claims related to such services. Our entry into the digital content services market has also subjected us to possible claims of infringement of the ownership rights to media content, as well as to direct legal claims from retail consumers arising from the delivery of such services.

If anyone asserts a claim against us relating to proprietary technology or information, we might seek to license their intellectual property. We might not, however, be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from selling our products and could therefore seriously harm our business.

Product defects or software errors could adversely affect our business.

Design defects or software errors may cause delays in product introductions and project implementations and damage customer satisfaction, and may have a material adverse effect on our business, results of operations and financial condition. Our software products are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and correct.

Because our products are generally used by our customers to perform critical business functions, design defects, software errors, misuse of our products, incorrect data from external sources or other potential problems within or outside of our control may arise during implementation or from the use of our products, and may result in financial or other damages to our customers, for which we may be held responsible. Although we have license agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages caused to them arising from the use of our products, even if our liability is limited by a license or other agreement. Claims and liabilities arising from customer problems could also damage our reputation, adversely affecting our business, results of operations and financial condition and the ability to obtain Errors and Omissions insurance.

System disruptions and failures or security and privacy breaches may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our systems are an integral part of our customers business operations. The continued and uninterrupted performance of these systems by our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them. Sustained or repeated system failures would reduce the attractiveness of our services significantly and could result in decreased demand for our products and services.

Our ability to serve our customers depends on our ability to protect our computer systems against damage from fire, power loss, water damage, telecommunications failures, earthquake, terrorism attack, vandalism and similar unexpected adverse events. Despite our efforts to implement network security measures, our systems are

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also vulnerable to computer viruses, attacks, break-ins and similar disruptions from unauthorized tampering. Although we maintain insurance that we believe is appropriate for our business and industry, such coverage may not be sufficient to compensate for any significant losses that may occur as a result of any of these events.

We have experienced systems outages and service interruptions in the past. To date, these outages have not had a material adverse effect on us. However, in the future, a prolonged system-wide outage or frequent outages could cause harm to our reputation and could cause our customers to make claims against us for damages allegedly resulting from an outage or interruption. Any damage or failure that interrupts or delays our operations could result in material harm to our business and expose us to material liabilities.

The termination or reduction of certain government programs and tax benefits could adversely affect our overall effective tax rate.

There can be no assurance that our effective tax rate of 13.3% for the year ended September 30, 2013 will not change over time as a result of changes in corporate income tax rates or other changes in the tax laws of Guernsey, the jurisdiction in which our holding company is organized, or of the various countries in which we operate.

We have benefited or currently benefit from a variety of government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain any benefit. For example, we operate development centers and a business processing operations center in India. In 2013, the corporate tax rate applicable in India on trading activities was 33.99%. Our Indian business operates under specific favorable tax entitlements that are based upon pre-approved information technology related services activity. As a result, these activities are entitled to considerable corporate income tax reductions for our eligible income, which reduce the current applicable tax rate (cash basis) to 20%. Such favorable tax treatment is applied on all income derived from such pre-approved information technology activity, provided we continue to meet the conditions required for such tax benefits. These benefits are scheduled to phase out over 15 years from the commencement of operations. Proposed changes in Indian tax law may reduce or eliminate the availability of these beneficial tax rates. Please see Item 10 Additional Information Taxation Certain Indian Tax Considerations for more information.

If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. In addition, any of the following could have a material effect on our overall effective tax rate:

- some tax benefit programs may be limited in duration or may be discontinued,
- we may be unable to meet the requirements for continuing to qualify for some programs,
- these programs and tax benefits may be unavailable at their current levels, or
- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit.

The market price of our ordinary shares has and may continue to fluctuate widely.

The market price of our ordinary shares has from time to time fluctuated widely and may continue to do so. Many factors could cause the market price of our ordinary shares to rise and fall, including:

- market conditions in the industry and the economy as a whole,
- variations in our quarterly operating results,

changes in our backlog levels,

announcements of technological innovations by us or our competitors,

introductions of new products or new pricing policies by us or our competitors,

trends in the communications or software industries, including industry consolidation,

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- acquisitions or strategic alliances by us or others in our industry,
- changes in estimates of our performance or recommendations by financial analysts,
- changes in our shareholder base, and
- political developments in the Middle East or other areas of the world.

In addition, the stock market frequently experiences significant price and volume fluctuations. In the past, market fluctuations have, from time to time, particularly affected the market prices of the securities of many high technology companies. These broad market fluctuations could adversely affect the market price of our ordinary shares.

It may be difficult for our shareholders to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Island of Guernsey and a majority of our directors and executive officers are not citizens or residents of the United States. A significant portion of our assets and the assets of those persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon us within the United States or upon such persons outside their jurisdiction of residence. Also, we have been advised that there is doubt as to the enforceability in Guernsey of judgments of the United States courts of civil liabilities predicated solely upon the laws of the United States, including the federal securities laws.

ITEM 4. *INFORMATION ON THE COMPANY*

History, Development and Organizational Structure of Amdocs

Amdocs Limited was organized as a company with limited liability under the laws of the Island of Guernsey in 1988. Since 1995, Amdocs Limited has been a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our global business is providing software and services solutions to enable communications companies that are major services providers in North America, Europe and the rest of the world to move toward an integrated approach to customer management. Our registered office is Hirzel House, Smith Street, St. Peter Port, Guernsey, GY1 2NG, and the telephone number at that location is +44-1481-728444.

The executive offices of our principal subsidiary in the United States are located at 1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017, and the telephone number at that location is +1-314-212-8328.

Our subsidiaries are organized under and subject to the laws of several countries. Our principal operating subsidiaries are in Canada, Cyprus, Hungary, India, Ireland, Israel and the United States. Please see Exhibit 8 to this Annual Report on Form 20-F for a listing of our significant subsidiaries.

We have pursued and may continue to pursue acquisitions in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control market. In September 2013, we acquired Actix Ltd., a provider of mobile network optimization solutions, and in November 2013, we entered into a definitive agreement to acquire substantially all the assets of Celcite Management Solutions LLC, or Celcite, a provider of network management solutions. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, or otherwise enhance our market position or strategic strengths.

As the result of our organic growth and acquisitions, our software and information technology, sales and marketing workforce has increased over the last three years from 18,361 as of the end of fiscal 2011 to 18,623 as of the end of fiscal 2012 to 19,315 as of the end of fiscal 2013. In the past, our workforce has fluctuated with changes in business conditions.

Our principal capital expenditures for fiscal 2013, 2012 and 2011 have been for computer equipment in our operating facilities and development centers, for which we spent approximately $87.7 million, $107.4 million

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and $98.6 million, respectively. As our managed services activity may expand, we may face an increase in our capital expenditures in the future. We anticipate our capital expenditures in fiscal 2014 will be financed internally and will consist of, among other things, additional computer equipment.

Business Overview

Amdocs is a leading provider of software and services for communications, media and entertainment industry service providers in developed countries and in emerging markets, such as those in the Commonwealth of Independent States, India, Latin America and Southeast Asia.

We develop, implement and manage software and services associated with business support systems (BSS), operational support systems (OSS) and network control and optimization offerings to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data and support new business models and generally enhance their understanding of their customers. We refer to these systems collectively as customer experience systems because of the crucial impact that these systems have on the service providers end-user experience.

We believe the demand for our customer experience systems is driven by the desire of service providers to help their consumers navigate the increasing number of devices, services and plans available in the connected communications world and the need of service providers to cope with the rapidly growing demand for data that these new devices and services have created. In fiscal 2013, we released Amdocs CES (Customer Experience Systems) 9 to enable service providers to rapidly launch and monetize innovative offers and personalize every customer interaction and permit subscribers to take control of their experiences across any channel, network, service or device. We also expanded our managed services offerings to include value process operation (VPO) offerings, such as Amdocs Order-to-Activation, which reduces order fallout and decreases order-to-activation costs. Our acquisition of Actix s mobile network optimization business and our pending acquisition of Celcite s network management business are aimed at enabling us to advance our strategy to deliver an integrated, holistic customer experience, from the device to the network.

Our goal is to supply scalable products and services that provide the functionality and flexibility to service providers that facilitate innovation and enable cost-effective execution. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that providers seek to differentiate themselves by delivering a customer experience that is simple, personal and valuable at every point of interaction.

Communications Industry Background

We believe that service providers will maintain a strong focus on cost reduction and efficient operations and that the trend towards consolidation within the industry will continue. The smartphone and associated communications and entertainment applications, or apps, other connected devices such as the tablets, e-readers, and the improvement in machine-to-machine (M2M) technologies continue to drive unprecedented growth in data demand. In response to the demand for increased bandwidth, service providers are investing in their networks and searching for ways to optimize and monetize their investment.

In recent years, non-traditional service providers and device manufacturers have penetrated the wireless market and are now competing for customer attention in the television market as well. Additionally, social networks such as Facebook and Twitter, alongside over-the-top players such as Skype, Viber and WhatsApp, have become widely-accepted alternatives to traditional voice communications. To meet the challenges from new competitors and differentiate themselves, service providers are moving towards a model of bundled services, with wireline operators, for example, offering Internet Protocol TV services together with the convergence of fixed-mobile networks. Service providers are also looking to strengthen their standing with enterprise customers, explore new opportunities in the wholesale market and provide M2M services to new vertical market segments, such as the home, health and automotive industries.

To capture new revenue streams, service providers will need the ability to expand within existing and non-traditional business models and to deploy new network technologies. We believe service providers will place a greater emphasis on server efficiency and on modernization and transformation projects for their networks and operational and business support systems as they look for innovative ways to improve operations.

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We believe these factors create significant opportunities for vendors of information technology software products and providers of managed services and end-to-end systems integration, such as Amdocs.

The Amdocs Offerings

We believe that our product-driven approach, commitment to and support of quality personnel and deep industry knowledge and expertise enable us to create and deliver effective offerings that are highly innovative, reliable and cost-effective. In addition, we offer software products that address the specific business needs of service providers. We believe our success derives from a combination of the following factors that differentiate us from most of our competitors.

Software Products. In fiscal 2013, we released the Amdocs CES 9 portfolio, which redefines the service provider s operating environment by delivering real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight. As a result, customers are able to take control of their experiences across any channel, network, service or device. Our portfolio of pre-integrated software products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations.

The Amdocs CES 9 portfolio is based on an open architecture that is intended to provide the functionality, scalability, modularity and adaptability required by service providers in their dynamic, highly competitive markets. The open architecture is based on the principles of service-oriented architecture (SOA) and business process management, which helps to ensure that our products operate together or as stand-alone applications within existing environments. Our proprietary knowledge library of more than 200 industry-specific best practice processes, and a single tool for the unified installation, maintenance and management of the entire BSS and OSS suite, facilitate Amdocs CES 9 s rapid time to production. We believe this flexibility enables our customers to achieve significant time-to-market advantages and reduces their dependence on technical and other personnel.

Services. Our comprehensive services are designed to address every stage of a service provider s needs, from initial strategy through transformation and implementation to operations. Amdocs services include business consulting and systems integration as well as on-premise and cloud-based information technology outsourcing (ITO) and value process operation (VPO) managed services to support the deployment, operations and management of a service provider s IT and key business process. In fiscal 2013, we launched the Amdocs Order-to-Activation value process operation, which delivers a combination of technology, services and operations with a structured methodology, aligning disparate systems and automating manual processes to streamline the order capture to service activation processes. As a prime systems integrator, we assume end-to-end responsibility to monitor, manage and deploy the overall development and integration activities of Amdocs and third-party vendors throughout the transformation lifecycle. Our managed services provides multi-year, flexible and tailored business processes and applications services, including application development and maintenance, IT and infrastructure services, testing, and professional services that are designed to assist customers in the selection, implementation, operation, management and maintenance of their IT systems.

Solution Packs. Packs are turnkey versions of our products, designed for fast, lower-cost implementation. We believe that these packaged offerings provide our customers with timely, cost-effective, relatively low-risk solutions to specific business issues at a consistent level of quality.

Experience. We are able to offer our customers superior products and services on a worldwide basis in large part because of our highly qualified and trained technical, sales, marketing, consulting and management personnel. We combine deep industry knowledge and experience, advanced methodologies, industry best practices and pre-configured tools to help deliver consistent results and minimize our customers risks. We invest significantly in the ongoing training of our personnel in key areas such as industry knowledge, software technologies and management capabilities. Based in significant part on the skills and knowledge of our workforce, we believe that we have developed a reputation for reliably delivering quality solutions.

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Due to the complex and dynamic nature of our customers business needs, the products and services that we provide are typically integrated and designed to work in concert to provide each customer with a complete solution.

Business Strategy

Our goal is to provide products, services and support to the world s leading service providers as they evolve to remain relevant and competitive in the connected world. We seek to accomplish our goal by pursuing the strategies described below.

Continued Focus on the Communications, Media and Entertainment Industry. We focus our resources and efforts primarily on providing customer experience systems to service providers in the communications, media and entertainment industry. This strategy has enabled us to develop the specialized industry know-how and capability necessary to deliver the technologically advanced, large-scale, specifications-intensive customer experience systems required by the leading wireless, wireline, broadband cable and satellite companies. We consider our longstanding and continuing focus on this industry a competitive advantage.

Target Industry Leaders. We intend to continue to direct our marketing efforts primarily toward communications, media and entertainment industry leaders. By targeting such leading service providers, which require the most sophisticated customer experience systems, we believe that we are better able to remain at the forefront of developments in the industry. We derive the substantial majority of our revenues from our customer base of major service providers. We believe that the development of this customer base has helped position us as a market leader.

Continued Expansion into Emerging Markets. We continue to improve our ability to serve the needs of service providers operating in emerging markets. Prepaid subscriber growth remains high and average revenue per user remains relatively low in these markets in comparison to more developed markets. At the same time, however, we have started to see a shift in service provider focus as they begin to regard the customer experience as a key competitive differentiator. Our prospective customers in these markets vary dramatically, with some service providers serving subscriber bases already numbering in the hundreds of millions and others introducing communications services to communities for the first time. We believe this shift in focus on the customer experience and the wide spectrum of emerging market service providers require offerings ranging from relatively low-cost systems with pre-packaged services that can be implemented rapidly, to more robust services, to complete customer experience systems.

Provide Customers with a Broad, Deep Portfolio of Integrated Products. We seek to provide our customers with a broad, yet integrated, portfolio of products to help them deliver a customer experience that is simple, personal and valuable at every point of service. We provide customer experience systems across the BSS, OSS and network control and optimization domains and multiple lines of business, including wireline, wireless, broadband cable and satellite services. Integration of our systems is achieved through an open, service-oriented architecture, allowing our products to work well together and with third-party products. We believe that our ability to provide a broad, deep suite of products helps position us as a strategic partner for our customers, and also provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.

Leverage Our Managed Services Capabilities. Managed services enable us to assume responsibility for the operation, development and management of our customers Amdocs systems, as well as systems developed by in-house IT departments or by other vendors. Our mandate can extend across the service provider s entire IT environment and encompass key business process operational needs. Our customers receive improved efficiencies and long-term savings over the day-to-day costs of operating and maintaining these systems, so they can focus on their own internal strengths and grow their businesses, leaving system concerns to us. Managed services also benefit us, as they can be a source of predictable revenue and long-term relationships.

Maintain and Develop Long-Term Customer Relationships. We seek to maintain and develop long-term, mutually beneficial relationships with our customers, and have organized our internal operations to better anticipate and respond to their needs. We believe these relationships can lead to additional product sales,

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as well as ongoing, long-term support, system enhancement and maintenance, and managed services agreements. We believe that such relationships are facilitated in many cases by the mission-critical, strategic nature of Amdocs systems and by the added value we provide through our specialized skills and knowledge. We believe that the longevity of our customer relationships and the recurring revenue that such relationships produce provide a competitive advantage for us.

Products

Our product offerings consist of an extensive software portfolio that we have developed to provide comprehensive customer experience systems functionality for service providers. Our software systems support the full span of the customer lifecycle: revenue management, customer management, operations support, network control and optimization and digital services. Further, our systems employ a common architecture, including shared frameworks, and include services for deployment, configuration, integration, security, user interface and monitoring and control. We also provide solutions for high growth and emerging markets, as well as advertising and media solutions for local marketing service providers, including directory publishers.

Our products focus on:

Revenue Management: Products that manage the end-to-end network services revenue stream from offer definition to cash-in-hand and spans the consumer, business and partner domains. Amdocs Revenue Management offerings include:

Convergent Charging and Billing: enables the consumption, monetization and management of network services across any customer, network and device type and supports all lines of business and payment types.

Mediation: enables service providers to address BSS/OSS data processing and event handling needs across all lines of business and to transform raw network data into actionable business information.

Partner Management: enables end-to-end partner lifecycle management for different aspects of partnership relationships, including interconnect, roaming, wholesale and mobile virtual network operator (MVNO) (a mobile service provider that does not have its own spectrum), content and advertising and dealer management.

Service Delivery: focuses on service creation, deployment and execution to enable service providers to rapidly deliver new services to any user on any network. These offerings employ the Amdocs Service Platform, a real-time, open, standards-based, Java service delivery environment, for developing, integrating, deploying and managing communications services across a multi-network environment, including fixed, mobile, IP-Multimedia Subsystem (IMS), SS7 and IP-based technologies.

Compact Convergence: is a real-time converged billing and service delivery platform for small to medium-sized service providers, MVNOs and mobile virtual network enablers (MVNEs) that provide services to MVNOs. This offering features built-in essential business functionality, such as invoicing and provisioning, customer care, self Web-care and reporting capabilities and can be implemented on premise or in the cloud. Amdocs Compact Convergence offerings include:

M2M Solution: is a cost-efficient, partner-driven solution that supports wired and wireless communications between machines and across virtually any M2M vertical and business model, including applications such as smart cars and connected homes.

Customer Management: Products that enable service providers to simplify the customer experience across all interaction channels and touch points to increase revenue, reduce operational costs and improve customer satisfaction, including as measured by net promoter score (NPS) metrics. Amdocs Customer Management offerings include:

Multichannel Selling: unifies all sales channels, including call center, retail stores, Web and mobile, around a single sales and ordering hub to provide a complete order-to-cash cycle for multiple lines of business.

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Multichannel Care: delivers a complete view of the customer across all lines of business enabling all customer service channels to quickly and effectively diagnose and resolve customer care issues, including handling escalations resulting from customer complaints, trouble tickets or cases submitted via a self-service channel.

Proactive Insight: leverages big data technology and a set of best practice libraries to provide an intelligent decision engine to proactively anticipate and address customer needs in real time.

Operational Support Systems (OSS): Products that comprise the core operational support systems, such as network planning, service fulfillment and assurance for fixed line, wireless and cable networks. Amdocs OSS offerings include:

Network Planning: enables network planners to analyze current, short- and long-term consumption trends of network resources and to plan and roll out a service-ready network.

Service Fulfillment: formalizes and automates the order-to-activation processes for residential, small and medium-sized businesses and enterprise customers. The offering includes pre-packaged automation for specific services and lines of business, including broadband, satellite and cable, and supports the fulfillment of multiple services, either to support a convergent services bundle or to standardize fulfillment across the organization with a single interface for all fulfillment processes.

Service Assurance: supports service assurance by managing the network problem resolution process, including impact analysis to assess what services are affected by network outages.

Inventory and Discovery: provides a single and accurate source of service and network inventory and performance data, to support network planning and service fulfillment and assurance.

Business Service Capture: helps service providers create accurate, made-to-order communication solutions for business customers to accelerate the inquiry to order process.

Network Navigator: a graphical user interface that enables service providers to quickly and easily locate network information, such as equipment configuration, locations and device relationships within large and complex networks.

Radio Parameter Manager: enriches the OSS with additional radio access network configuration information, enabling greater automation of processes for network build-out, capacity management and network optimization.

Network Control: Products that manage how and under which circumstances subscribers and devices can access networks, including dynamic policy controls that manage what happens to the device or subscriber when on the network, such as how much data is consumed and when to trigger a service top-up or notification. Dynamic network control functions allow service providers to manage the data experience in real time. These controls enable the creation of new services and also manage network resource and bandwidth consumption. Amdocs Network Control offerings include:

Service Controller: provides authentication, authorization and accounting services for subscribers and devices in addition to real-time session management to enable mobility, roaming and security access.

Home Subscriber Server (HSS): the master repository of subscriber and device profile and status information supporting authentication, authorization and mobility management functions for Long Term Evolution (LTE) and IP Multimedia Subsystem (IMS) technologies.

Policy Controller: provides real-time network, application and subscriber policy control allowing service providers to manage mobile data growth and deliver personalized services. It determines how and under which circumstances subscribers have access to applications and network resources and ensures the appropriate quality of service.

Intelligent Diameter Routing Agent: provides a flexible and robust diameter routing solution for 3G/4G/IMS control plane connectivity and routing needs. It enables centralized functions, such as load-balancing across clusters of applications, routing user requests to the appropriate elements and binding different protocol interfaces corresponding to a subscriber.

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Data Experience Solution: a pre-integrated policy and charging solution designed for rapid mobile data service creation and monetization across a broad set of functions. It features an integrated policy and charging engine, product catalog, subscriber authentication and management and diameter routing.

Wi-Fi Experience Solution: a Wi-Fi control and monetization solution that enables mobile and fixed broadband service providers and cable multiple system operators to accelerate the introduction of innovative Wi-Fi services. Pre-integrated to facilitate rapid deployment, the solution features unique policy control and authentication capabilities for subscriber onboarding and service innovation, and a portal framework that integrates with the service provider s existing customer service portal and payment system for rapid service monetization.

Digital Services: Suite of packaged and ready-to-use digital services solutions. Amdocs Digital Services offerings include:

Connected Home Solution: offered as a software as a service (SaaS) model for cost-efficiency and fast time to market, it is a cloud-based solution that can integrate with a service provider s existing BSS, OSS and customer relationship management systems. This offering is delivered as a packaged suite of services for home monitoring, security and automation, and energy management.

Mobile Payments: a cloud-based gateway service that enables wireless service providers to offer mobile payments to customers and to settle against any payment method, including postpaid bill, prepaid balance, electronic wallet or credit cards. It enables service providers to onboard and manage a large set of app stores, merchants and aggregators and to process transactions for any type of goods, such as digital, remote or physical.

Digital Commerce Solution: enables services providers to sell digital content through any channel in any business model. It supports the management of any type of content, including apps, games, video and audio, and the delivery to a wide-range of devices, such as mobile, tablet and PC. A single application provides multi-tenancy, multi-language and multi-currency functions to support multiple portals, storefronts and tenants.

Personalization: consists of personalized portals, recommendations and product offers that are based on real-time machine-learning and predictive analytics to enhance the multichannel customer experience and stimulate service provider revenue growth. These products automatically obtain behavioral intelligence from customer interactions to enhance service planning and increase targeted effectiveness.

Unified Communications: a service provider-branded solution that unites messaging services, video and voice over IP calling for an even better customer experience. Accessed via iOS and Android device apps or through a Web portal, the solution acts as a launch pad for the end-user s communications needs.

Unified Foundation: A common set of products and tools that serve as the underlying drivers for technology innovation across the Amdocs CES portfolio of offerings. Unified Foundation provides the product enablers and building blocks to quickly create and effectively manage products for a time to market advantage. It provides a single customer view and supports business process modification, integration, security and monitoring.

Advertising and Media Solutions

Our advertising and media offerings for local marketing service providers are comprised of a comprehensive set of business and operational products and services designed to enable the management of media selling, fulfillment, operations, consumer experience and financial processes across digital and print media. These offerings are sold as individual products or comprehensive packaged solutions and include:

Sales Experience Solution: Combines configure, price quote, product catalog, order management and sales productivity applications alongside best practices and processes to increase sales and reduce costs. These offerings are uniquely tailored to serve the evolving needs of local media consultants selling advertisements for digital and print media.

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Business Agility: Sales performance management, order management, product lifecycle management, fulfillment, content management, campaign management and billing offerings that enhance the productivity and cost efficiency of local marketing service providers.

Small-Medium Business Experience: Enables local marketing service providers to offer presence, social media marketing and lead generation functionality to the small and medium-sized business market.

Business Content and Advertising Syndication: Consists of offerings to streamline and scale up partner content syndication and advertising networks.

Technology

Our technology platform s flexibility affords our customers the freedom to choose a preferred operating environment and to maximize return on existing infrastructure investments. Our portfolio architecture allows our applications to work in multiple customer environments, including:

Hardware: IBM, Hewlett-Packard, Oracle/Sun, Intel

Operating Systems: Windows, Red Hat Linux, AIX, VMware

Database Management Systems: Oracle, SQL Server

Middleware: Oracle WebLogic, IBM WebSphere

Storage: EMC, NetApp, IBM, Hewlett-Packard

To help service providers respond more quickly to changes in their markets and lower their integration costs, we employ service-oriented architecture principles in our portfolio design. For example, Amdocs Web Services Factory exposes the Amdocs portfolio application programming interfaces (APIs) to external systems, allowing our applications to integrate with each other and with third-party enterprise server bus or legacy applications.

Our portfolio applications are based around consistent architectural guidelines and software infrastructure and they also leverage, where appropriate, consistent foundation tools. Our services encompass installation, integration, process management, monitoring and control, security and information management. Our platform-agnostic foundation layer spans our applications and helps us evolve our products towards robust service-oriented architecture integration and business process support. With these tools, we aim to provide our customers a sound framework upon which to implement, integrate and centralize their operating environments. This allows service providers to mitigate many costs associated with deploying and operating new applications, such as those related to installation, configuration, integration and monitoring.

Our product portfolio also includes the following key characteristics:

Scalability. Our applications are designed to take full advantage of the scalability capabilities of the underlying platform, allowing progressive system expansion, proportional with the customer s growth in business volumes. Using the same software, our applications can support operations for small, as well as very large service providers.

Reliability. Our system and component architecture supports high availability and redundancy to allow connected and uninterrupted operations at full network speed and device load.

Modularity. Our product portfolio is comprised of sets of individual functional application products. Each of our applications can be installed on an individual stand-alone basis, interfacing with the customer s existing systems, or as part of an integrated Amdocs system environment. This modularity provides our customers with a highly flexible and cost-effective solution that is able to incrementally expand with the customer s growing needs and capabilities. The modular approach preserves the customer s initial investment in products, and minimizes future disruptions and the overall cost of system implementation.

Upgradability and Backward Compatibility. Version interoperability eliminates risky upgrades and allows for a gradual upgrade approach of suite elements.

Virtualization. Increasing server efficiency, commonly referred to as virtualization, is critical in today s IT world as it reduces costs and improves operational efficiency through server consolidation, improved server availability, elasticity and sustainability. Using VMWare 5.1, the Amdocs CES suite is fully certified to run in a virtualized production environment.

Services

We offer a broad suite of services to advise, transform, support and optimize business and technology processes. We provide business consulting, systems integration, ITO and key value process operation (VPO) managed services, managed transformation and product support to assist our customers with their business strategy, system implementation, integration, modification, consolidation, modernization and ongoing support, operation, enhancement and maintenance needs. In addition, we offer comprehensive learning services to help our customers develop competency in their Amdocs systems and applications. Our services methodology incorporates rigorous focus on the people, processes and technology of an organization, and we invite active customer participation at all stages to help prioritize and implement time-critical system solutions that address the customer s individual needs.

Our services portfolio includes:

Business Consulting Services These services cover the project lifecycle and range from assessment and advisory services to optimization services that measure and improve business and operational performance, and help to define the project strategy, scope and implementation path of business solutions to deliver tangible business and operational value.

Systems Integration and Transformation Services This suite of services allows us to act as a prime integrator from program management and project deployment to solution implementation and operations. We have developed advanced methodologies, industry best practices and pre-configured tools to deliver a cohesive implementation plan, including solution architecture, organizational change management, learning and development, benefits realization modeling and sales channels optimization, in addition to high-quality systems and applications testing. Our holistic approach ensures that people, processes and technology are fully aligned with our customer s vision and goals.

Managed Services Our portfolio of strategic sourcing services is tailored for service providers to gain competitive advantage and improve business results through long-term ITO and VPO services. Amdocs data center and cloud-based IT outsourcing services includes IT technology, VPO and application development and maintenance services, application operations, system modernization and consolidation and IT management. Whether our customer s IT environment includes Amdocs products, third-party software or in-house and legacy systems, our specialized services span the industry landscape across mobile, wireline, broadband, cable and satellite. We support new and existing lines of business, such as pay television and M2M, as well as new business entities, including second brand, MVNO and greenfield. Our VPO services, such as order-to-activation, billing operation, revenue assurance, data warehousing and business intelligence management, combine innovative technology with business expertise to reduce costs and enhance customer experiences. Our managed services models can be leveraged to support day-to-day operations and strategic business objectives.

Product Support Services These services are designed to help our customers solve key challenges and to protect and maximize their investment in our products throughout the entire product life cycle. Our global product support organization uses industry-recognized methodologies and provides support options, including online services and personalized interactions.

The extent of services provided varies from customer to customer. Our services engagements can range in size and scope from deploying single point solutions to orchestrating large-scale transformation projects. Depending on the customer s needs, system implementation and integration activities are often conducted jointly by teams from Amdocs and the customer. In some cases, Amdocs personnel provide support services to the customer s own implementation and integration team, which has primary responsibility for the task. In other cases, we take a primary role in facilitating implementation and integration. In yet other instances, customers require turnkey solutions, in which case we provide full system implementation and integration services.

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Once the system becomes operational, we are generally retained by the customer to provide ongoing services, such as maintenance, enhancement design and development and operational support, or to act as a prime systems integrator for post-production activities that may include interfaces with third-party systems. For a substantial number of our customers, the implementation and integration of an initial system has been followed by the sale of additional systems and modules. We aim to establish long-term maintenance and support contracts with our customers. These contracts generally involve an expansion in the scope of support provided and provide us with recurring revenue.

Our business is conducted on a global basis. We maintain development and support facilities worldwide, including Brazil, Canada, Cyprus, India, Ireland, Israel and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region.

Sales and Marketing

Our sales and marketing activities are primarily directed at major communications, media and entertainment companies.

As a result of the strategic importance of our customer experience systems to the operations of service providers, a number of constituencies within a customer s organization are typically involved in purchasing decisions, including senior management, information systems personnel and user groups, such as the finance, customer service and marketing departments. We maintain sales offices in the United States, Europe, Latin America and Asia Pacific.

Our sales activities are supported by marketing efforts and increasing cooperation with strategic partners. We interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by customers and systems integrators that provide complementary products and services. We also have value-added reseller agreements with certain hardware and database vendors. Our marketing activities also continue to support projects with partner companies, such as IBM, Alcatel-Lucent, Hewlett-Packard and others.

Customers

Our target market is comprised of service providers in the communication, media and entertainment industry that require customer experience systems with advanced functionality and technology. The companies in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the forefront of developments in the communications, media and entertainment industry and that our product offerings continue to address the market s most sophisticated needs. We have an international orientation. We have a broad base of customers in North America and Europe, however, due to our expansion in emerging markets, we also have customers in geographies as diverse as the Commonwealth of Independent States, India, Latin America and Southeast Asia.

Our customers include global communications leaders and leading network operators and service providers, as well as local marketing service providers in the United States and around the world. Our customers include:

A1 Telekom Austria	MobilTel
America Movil	NetCom
Astro	Rogers Communications
AT&T	Sprint Nextel
Bakcell	Telefonica de Espana
Bell Canada	Telefonica 02 Germany
BT	Telefonica Argentina
Cablevision	Telkom South Africa
Cellcom	Telstra
Claro Brasil	TELUS Communications
Comcast	T-Mobile Deutschland
Deutsche Telekom	T-Mobile USA
Dex Media	TIM Brasil
DIRECTV	UPC Netherlands
EE	US Cellular
Elisa	Verizon Communications
Globe Telecom	VimpelCom
Instituto Costarricense de Electricidad	Virgin Media
J:COM	Vodafone Germany
Kazakhtelecom	Vodafone Netherlands
KPN	Vodafone Romania
Magyar Telekom	Vodafone UK
MetroPCS	XL Axiata
Mobilicity	

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 28% of our revenue in fiscal 2013 and 26% in fiscal 2012. In fiscal 2013, our two next largest customers were Sprint Nextel and Bell Canada and certain of their subsidiaries. Sprint Nextel accounted for less than 10% of our revenue in fiscal 2013 and for 10% in fiscal 2012. Bell Canada accounted for less than 10% of our revenue in each of fiscal 2013 and 2012. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 70% of our revenue in each of fiscal 2013 and 2012.

The following is a summary of revenue by geographic area. Revenue is attributed to geographic region based on the location of the customer:

	2013	**2012**	**2011**
North America	72.4%	69.8%	73.4%
Europe	11.9	13.6	12.7
Rest of the World	15.7	16.6	13.9

Competition

The market for customer experience systems and services in the communications, media and entertainment industry continues to become more competitive. Amdocs competitive landscape is comprised of internal IT departments of large communication companies as well as independent competitors that can be categorized as follows:

- providers of BSS/OSS systems, including Comverse, CSG International, Oracle and SAP;

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- system integrators and providers of IT services, such as Accenture, Cognizant, Hewlett-Packard, IBM Global Services, Infosys, Tata Consultancy Services, Tech Mahindra Ltd and Wipro (some of whom we also cooperate with in certain opportunities and projects); and

- network equipment providers such as Alcatel-Lucent, Ericsson, Huawei, Nokia Siemens, NEC and its subsidiary NetCracker, and ZTE (some of whom we also cooperate with in certain opportunities and projects and some of whom have also moved into the BSS/OSS space).

We expect the competition in our industry to increase from such companies.

We believe that we are able to differentiate ourselves from these competitors by, among other things:

- applying our more than 30-year heritage to the development and delivery of products and professional services that enable our customers to overcome their challenges and achieve service differentiation by means of simplifying the customer experience, harnessing data, staying ahead of the competition and focusing on efficiencies,

- continuing to design and develop solutions targeted specifically to the communications, media and entertainment industry,

- innovating and enabling our customers to adopt new business models that will improve their ability to drive new revenues, and compete and win in a changing market,

- providing high-quality, reliable, scalable, integrated, yet modular applications,

- providing flexible and tailored IT and business process outsourcing solutions and delivery models, and

- offering customers end-to-end accountability from a single vendor.

We compete with a number of companies that have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Some of these companies are continuing their attempts to expand their market penetration in the communications industry. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our existing or prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. There can be no assurance that we will be able to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and compete successfully with established or new competitors would have a material adverse effect on the results of our operations and financial condition.

Employees

We invest significant resources in the training, retention and motivation of high quality personnel. Training programs cover areas such as technology, applications, development methodology, project methodology, programming standards, industry background, business, management development and leadership. Our management development efforts are reinforced by an organizational structure that provides opportunities for talented managers to gain experience in general management roles. We also invest considerable resources in personnel motivation, including providing various incentive plans for sales staff and high quality employees. Our future success depends in large part upon our continuing ability to attract and retain highly qualified managerial, technical, sales and marketing personnel and outstanding leaders.

See Directors, Senior Management and Employees Workforce Personnel for further details regarding our employees and our relationships with them.

Research and Development, Patents and Licenses

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

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In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider s operating environment by delivering real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. We dedicated significant efforts and resources to the integration among the components of the CES 9 portfolio, including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS and OSS to align their business processes around the end customer. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. These business solutions address larger business problems and provide greater value to our customers.

During fiscal 2013, we also devoted research and development resources to Amdocs next product portfolio releases which are aimed at addressing additional challenges and opportunities of the connected world by delivering enhanced functionality to enable our customers to implement more cost-effective and innovative solutions relating to network monetization and enhanced customer experience in the assisted and unassisted channels. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

A substantial majority of our research and development expenditures is directed at our customer experience systems, and the remainder is directed at advertising and media directory systems offerings. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Our products are largely comprised of software and systems that we have developed or acquired and that we regard as proprietary. Our software and software systems are the results of long and complex development processes, and although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of readily available software components licensed from third parties. As a developer of complex software systems, third parties may claim that portions of our systems infringe their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours. We have taken, and intend to continue to take, several measures to establish and protect our proprietary rights in our products and technologies from third-party infringement. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights and nondisclosure agreements. We enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information; and we also limit customer access to the source code of our software and software systems.

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Property, Plants and Equipment

Facilities

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 3.0 million square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus, India and the United Kingdom. Our aggregate annual lease costs with respect to our properties as of October 31, 2013, including maintenance and other related costs, were approximately $54 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of October 31, 2013:

Location	Area (Sq. Feet)
United States:	
St. Louis, MO	81,238
San Jose, CA(*)	112,120
Champaign, IL	174,223
Eldorado Hills, CA(*)	113,290
Others	211,459
Total	692,330
Israel:	
Ra anana	740,431
Sderot	73,900
Haifa	38,133
Others(*)	92,226
Total	944,690
Canada:	
Toronto(*)	26,422
Montreal	60,274
Ottawa	40,422
Total	127,118
Cyprus (Limassol)	65,854
India:	
Pune	622,842
Delhi	136,169
Mumbai	2,099
Total	761,110
United Kingdom(*)	94,417
Other locations (32 countries)	269,143
Total	2,954,662

(*) Includes space sublet to third parties.

Our leases expire on various dates from calendar years 2013 through 2028, not including various options to terminate or extend lease terms.

Equipment

We develop our customer experience systems over a system of UNIX, Linux and Windows servers owned or leased by us. We use a variety of software products in our development centers, including products by

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Microsoft, Oracle, Syncsort, RedHat, CA, IBM and Hewlett-Packard. Our data storage is based on equipment from EMC, SUN, NetApp, IBM, Hitachi and Hewlett-Packard. Our development servers are connected to more than 20,000 personal computers owned or leased by us.

Automatic tape libraries and virtual tape libraries provide full and incremental backups of the data used in and generated by our business. The backup tapes are kept on-site and off-site, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites that we operate worldwide are connected by a high-speed redundant wide area network, using telecommunication equipment manufactured by, among others, Cisco and Avaya.

ITEM 4A. *UNRESOLVED STAFF COMMENTS*

Not applicable.

ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS*

Overview of Business and Trend Information

Amdocs is a leading provider of software and services for communications, media and entertainment industry service providers in developed countries and in emerging markets such as those in the Commonwealth of Independent States, India, Latin America and Southeast Asia. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that providers seek to differentiate their offerings by delivering a customer experience that is simple, personal and valuable at every point of service.

We develop, implement and manage software and services associated with BSS, OSS and network control and optimization offerings to enable service providers to introduce new products and services quickly, understand their customers more deeply, process orders more efficiently, monetize data and support new business models while controlling costs. We refer to these systems collectively as customer experience systems because of the crucial impact that these systems have on the service providers end-user experience.

In a global communications industry impacted by unprecedented growth in data demand, increasing number of connected devices, improvement in M2M technologies, the rising influence of device makers and over-the-top players that bypass traditional service providers, consumers expect immediate and constant connectivity to personalized services, information and applications. To capture new revenue streams in this connected world, service providers will need the ability to expand within existing and non-traditional business models as they simultaneously attempt to reduce their costs in providing current and new services. We seek to address these market forces through a strategy of innovation from the network and business support systems to the device and end user. Our goal is to supply cost-effective, scalable software products and services that provide functionality and flexibility to service providers as they and their markets grow and change.

In part, we have sought, through acquisitions, to expand our service offerings and customer base and to enhance our ability to provide managed services to our customers. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control market. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, or otherwise enhance our market position or strategic strengths.

Offerings

Amdocs offerings of software and related services consist of:

- A complete, modular yet integrated portfolio of customer experience systems, including revenue management customer management, OSS, network control and optimization, digital services and M2M solutions, all employing a unified foundation of products and tools;

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A comprehensive line of services. Because our customers projects are complex and require systems support expertise, we provide business process and IT services, including business consulting, systems integration and transformation, testing, ITO and value process operation, managed services and product support to assist our customers with their business strategy, system implementation, integration, modification, consolidation, modernization, ongoing support, enhancement and maintenance needs. In addition, we offer comprehensive learning services to help our customers develop competency in their Amdocs systems and applications.

We have designed our customer experience systems to meet the high-volume, complex needs of Tier-1 and Tier-2 service providers and to address the unique issues of service providers in high growth emerging markets. We support our customers various lines of business, including wireline, wireless, cable and satellite, and a wide range of communication services, including voice, video, data, broadband, content, electronic and mobile commerce applications. In addition, we support companies that offer bundled or convergent service packages.

We also offer advertising and media products and services for local marketing service providers to facilitate cost-effective digital media-centric operations from selling ads to the management of the fulfillment, operations, consumer experience and financial processes across digital and print media.

We conduct our business globally, and as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications, media and entertainment industry. In fiscal 2013, customers in North America accounted for 72.4% of our revenue, while customers in Europe and the rest of the world accounted for 11.9% and 15.7%, respectively. Customers in emerging markets accounted for 12.3% of our revenue in fiscal 2013. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel and the United States. Historically, AT&T has been our largest customer, accounting for 28% of our revenue in fiscal 2013 and 26% in fiscal 2012. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 70% of our revenue in each of fiscal 2013 and 2012.

We believe that demand for our customer experience systems is primarily driven by the following key factors:

Transformation within the communication industry, including:

- increasing use of communications and content services,
- widespread access to content, information and applications,
- continued rapid growth in emerging markets,
- expansion into new lines of business,
- consolidation among service providers in established markets, often including companies with multi-national operations,
- increased competition, including from non-traditional players,
- continued bundling and blending of communications and entertainment, and
- continued commoditization and pricing pressure.

Technology advances, such as:

emergence and development of new communications products and services, such as Web services, video, broadband, data and content services, including IP-based services, such as Internet Protocol (IP), Internet Protocol Television (IPTV), M2M, Wi-Fi and Voice over IP,

evolution to and expansion of more sophisticated and connected communication devices, such as smart devices, electronic book readers, energy meters and systems for global positioning, home security and home health monitoring, that enable communication across and between devices and widespread access to information,

evolution to next-generation networks that enable converged services offerings, such as fixed-mobile convergence, and

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technological changes, such as the introduction of 4G wireless technology, next-generation content systems, fiber to the x (FTTx), Wi-Fi, IP Multimedia Subsystem (IMS) and LTE-based access technologies such as voice over LTE (VoLTE).

Customer focus, such as:

the need for service providers to focus on their customers in order to build profitable customer relationships,

the need for service providers to have a unified view of the customer and deliver a personalized experience across multiple services, devices and channels,

the authority shift toward the consumer, with increased customer expectations for new, innovative services and applications that are personally relevant and that can be accessed anytime, anywhere and from any device,

the ever-increasing expectation of customer service and support, including access to self-service options that are convenient, proactive and consistent across all channels, and

the need for service providers to differentiate themselves by creating a unique and mutually-valuable customer experience.

The need for operational efficiency, including:

the shift from in-house management to vendor solutions,

business needs of service providers to reduce costs and lower total cost of ownership of software systems while retaining high-value customers in a highly competitive environment,

automating and integrating business processes that span service providers BSS, OSS and network control and optimization platforms and create a simple, one-company face to customers,

implementing and integrating new next-generation networks (and retiring legacy networks) to deploy new technologies, and

transforming fragmented legacy OSS systems to introduce new services in a timely and cost-effective manner.

In fiscal 2013, our total revenue was $3.35 billion, of which $3.19 billion, or 95.2%, was attributable to the sale of customer experience systems. Revenue from managed services arrangements (for customer experience systems and advertising and media directory systems) is included in both license and service revenue. Revenue generated in connection with managed services arrangements is a significant part of our business generating substantial, long-term recurring revenue streams and cash flow. Revenue from managed services arrangements accounted for approximately $1.70 billion and $1.68 billion of revenue in fiscal 2013 and 2012, respectively. In managed services contracts revenue from the operation of a customer s system is recognized as services are performed based on time elapsed, output produced or volume of data processed. In the initial period of our managed services projects, we often invest in modernization and consolidation of the customer s systems. Managed services engagements can be less profitable in their early stages; however, margins tend to improve over time, more rapidly in the initial period of an engagement, as we derive benefit from the operational efficiencies and from changes in the geographical mix of our resources.

Research and Development, Patents and Licenses

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider s operating environment by delivering real-time integration across BSS, OSS and network control domains, removing

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barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. We dedicated significant efforts and resources to the integration among the components of the CES 9 portfolio, including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS and OSS to align their business processes around the end customer. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. These business solutions address larger business problems and provide greater value to our customers.

During fiscal 2013, we also devoted research and development resources to Amdocs next product portfolio release which are aimed at addressing additional challenges and opportunities of the connected world by delivering enhanced functionality to enable our customers to implement more cost-effective and innovative solutions relating to network monetization and enhanced customer experience in the assisted and unassisted channels. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

A substantial majority of our research and development expenditures is directed at our customer experience systems, and the remainder is directed at advertising and media directory systems offerings. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Operating Results

The following table sets forth for the fiscal years ended September 30, 2013, 2012 and 2011, certain items in our consolidated statements of income reflected as a percentage of total revenue:

	Year Ended September 30,		
	2013	**2012**	**2011**
Revenue:			
License	2.4%	3.7%	3.8%
Service	97.6	96.3	96.2
	100.0	100.0	100.0
Operating expenses:			
Cost of license	0.1	0.1	0.1
Cost of service	64.7	64.1	65.0
Research and development	7.2	7.5	7.0
Selling, general and administrative	12.5	13.1	12.9
Amortization of purchased intangible assets and other	1.1	1.6	2.3
	85.6	86.4	87.3
Operating income	14.4	13.6	12.7
Interest and other expense, net	0.2	0.0	0.3
Income before income taxes	14.2	13.6	12.4
Income taxes	1.9	1.5	1.5
Net income	12.3%	12.1%	10.9%

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Fiscal Years Ended September 30, 2013 and 2012

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2013, compared to the fiscal year ended September 30, 2012. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

	Year Ended September 30,		Increase (Decrease)	
	2013	2012	Amount	%
	(In thousands)			
Revenue:				
License	$ 81,613	$ 120,443	$ (38,830)	(32.2)%
Service	3,264,241	3,126,460	137,781	4.4
	3,345,854	3,246,903	98,951	3.0
Operating expenses:				
Cost of license	2,602	3,523	(921)	(26.1)
Cost of service	2,164,450	2,081,945	82,505	4.0
Research and development	240,266	242,063	(1,797)	(0.7)
Selling, general and administrative	418,574	424,671	(6,097)	(1.4)
Amortization of purchased intangible assets and other	38,410	52,229	(13,819)	(26.5)
	2,864,302	2,804,431	59,871	2.1
Operating income	481,552	442,472	39,080	8.8
Interest and other expense, net	6,075	948	5,127	540.8
Income before income taxes	475,477	441,524	33,953	7.7
Income taxes	63,038	50,153	12,885	25.7
Net income	$ 412,439	$ 391,371	$ 21,068	5.4%

Revenue. Total revenue increased by $99.0 million, or 3.0%, to $3,345.9 million in fiscal 2013, from $3,246.9 million in fiscal 2012. The increase in revenue was primarily attributable to our increased activity in North America, including for AT&T, partially offset by a decrease in revenue from customers in Europe and in the rest of the world. The 3.0% increase in total revenue was net of a decrease of approximately half a percent from foreign exchange fluctuations.

License revenue in fiscal 2013 decreased by $38.8 million, or 32.2%, to $81.6 million, from $120.4 million in fiscal 2012. The decrease in license revenue was primarily attributable to the progress of certain transformation and implementation projects, which may fluctuate from period to period.

Total revenue attributable to the sale of customer experience systems increased by $119.4 million, or 3.9%, to $3,185.6 million in fiscal 2013, from $3,066.2 million in fiscal 2012. The increase was primarily attributable to our increased activity in North America, including for AT&T, partially offset by a decrease in revenue from customers in Europe. License and service revenue resulting from the sale of customer experience systems represented 95.2% and 94.4% of our total revenue in fiscal 2013 and 2012, respectively.

Total revenue attributable to the sale of directory systems decreased by $20.5 million, or 11.3%, to $160.2 million in fiscal 2013, from $180.7 million in fiscal 2012. The decrease was primarily attributable to continued slowness in the directory systems market leading to lower revenue from discretionary spending under managed services arrangements for directory systems. License and service revenue from the sale of directory systems represented 4.8% and 5.6% of our total revenue in fiscal 2013 and 2012, respectively.

In fiscal 2013, revenue from customers in North America, Europe and the rest of the world accounted for 72.4%, 11.9% and 15.7%, respectively, of total revenue, compared to 69.8%, 13.6% and 16.6%, respectively, for fiscal 2012. Revenue from North American customers increased as a percentage of total revenue during fiscal 2013, primarily due to higher revenue from AT&T and other key customers in North America. The decrease in revenue as a percentage of total revenue from customers in Europe was primarily attributable to lower revenue related to the ramp down of certain transformation and implementation projects which was not offset by sufficient revenue from new deals. The decrease in revenue as a percentage of total revenue from customers in the rest of the world was primarily attributable to our reduced activity in developed markets in those regions, partially offset by our increased activity in emerging markets.

Cost of License and Service. Cost of license includes fees and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. Cost of license and service increased by $81.6 million, or 3.9%, to $2,167.1 million in fiscal 2013, from $2,085.5 million in fiscal 2012. As a percentage of revenue, cost of license and service increased to 64.8% in fiscal 2013 from 64.2% in fiscal 2012. The decrease in our gross margin was primarily attributable to our activities in Asia Pacific and Central and Latin America, where we increased our level of investment to further penetrate into these regions.

Research and Development. Research and development expense is primarily comprised of compensation expense. Research and development expense decreased by $1.8 million, or 0.7%, to $240.3 million in fiscal 2013, from $242.1 million in fiscal 2012. Research and development expense decreased as a percentage of revenue from 7.5% in fiscal 2012 to 7.2% in fiscal 2013. Our research and development efforts are a key element of our overall strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin. Please see Research and Development, Patents and Licenses.

Selling, General and Administrative. Selling, general and administrative expense, which is primarily comprised of compensation expense, decreased by $6.1 million, or 1.4%, to $418.6 million in fiscal 2013, from $424.7 million in fiscal 2012. While selling, general and administrative expense decreased during fiscal 2013, this expense may fluctuate from time to time, depending upon such factors as changes in our workforce and sales efforts and the results of any operational efficiency programs that we may undertake.

Amortization of Purchased Intangible Assets and Other. Amortization of purchased intangible assets and other decreased by $13.8 million, or 26.5%, to $38.4 million in fiscal 2013, from $52.2 million in fiscal 2012. The decrease in amortization of purchased intangible assets and other was primarily attributable to the timing of amortization charges.

Operating Income. Operating income increased by $39.1 million, or 8.8%, to $481.6 million in fiscal 2013, from $442.5 million in fiscal 2012. Operating income increased as a percentage of revenue, from 13.6% in fiscal 2012 to 14.4% in fiscal 2013. The increase in operating income as a percentage of revenue was primarily attributable to revenue increasing at a higher rate than operating expenses. Positive foreign exchange impacts on our operating expenses were partially offset by the negative foreign exchange impacts on our revenue, resulting in a minor impact on our operating income.

Interest and Other Expense, Net. Interest and other expense, net, increased by $5.1 million to $6.1 million in fiscal 2013, from $0.9 million in fiscal 2012. The increase in interest and other expense, net, was primarily attributable to a gain, recorded in the prior year, resulting from the sale of our minority interest in Longshine Information Technology Company, our former Chinese subsidiary. Please see Note 15 to our consolidated financial statements.

Income Taxes. Income taxes for fiscal 2013 were $63.0 million on pre-tax income of $475.5 million, resulting in an effective tax rate of 13.3%, compared to 11.4% in fiscal 2012. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 11 to our consolidated financial statements.

Net Income. Net income increased by $21.1 million, or 5.4%, to $412.4 million in fiscal 2013, from $391.4 million in fiscal 2012. The increase in net income was primarily attributable to the increase in operating income, partially offset by the increase in income taxes and in interest and other expense, net.

Diluted Earnings Per Share. Diluted earnings per share increased by $0.22, or 9.5%, to $2.53 in fiscal 2013, from $2.31 in fiscal 2012. The increase in diluted earnings per share was the result of an increase in net income, coupled with a decrease in the diluted weighted average number of shares outstanding, due primarily to our repurchase of ordinary shares, partially offset by stock option exercises. Please see Note 20 to our consolidated financial statements.

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Fiscal Years Ended September 30, 2012 and 2011

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2012, compared to the fiscal year ended September 30, 2011. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

	Year Ended September 30,		Increase (Decrease)	
	2012	2011	Amount	%
	(In thousands)			
Revenue:				
License	$ 120,443	$ 119,237	$ 1,206	1.0%
Service	3,126,460	3,058,491	67,969	2.2
	3,246,903	3,177,728	69,175	2.2
Operating expenses:				
Cost of license	3,523	2,627	896	34.1
Cost of service	2,081,945	2,066,740	15,205	0.7
Research and development	242,063	221,886	20,177	9.1
Selling, general and administrative	424,671	409,465	15,206	3.7
Amortization of purchased intangible assets and other	52,229	72,646	(20,417)	(28.1)
	2,804,431	2,773,364	31,067	1.1
Operating income	442,472	404,364	38,108	9.4
Interest and other expense, net	948	8,657	(7,709)	(89.0)
Income before income taxes	441,524	395,707	45,817	11.6
Income taxes	50,153	49,042	1,111	2.3
Net income	$ 391,371	$ 346,665	$ 44,706	12.9%

Revenue. Total revenue increased by $69.2 million, or 2.2%, to $3,246.9 million in fiscal 2012, from $3,177.7 million in fiscal 2011. The increase in revenue was primarily attributable to revenue related to our activities in emerging markets and in Europe, as well as to revenue related to our new network control offering, partially offset by slower spending by AT&T and by lower revenue resulting from contractual price reductions with Bell Canada. Our fiscal 2012 revenue was also negatively impacted by foreign exchange fluctuations.

Total revenue attributable to the sale of customer experience systems increased by $87.9 million, or 3.0%, to $3,066.2 million in fiscal 2012, from $2,978.3 million in fiscal 2011. The increase in revenue was primarily attributable to revenue related to our activities in emerging markets and in Europe, as well as to revenue related to our new network control offering, partially offset by slower spending by AT&T and by lower revenue resulting from contractual price reductions with Bell Canada. License and service revenue resulting from the sale of customer experience systems represented 94.4% and 93.7% of our total revenue in fiscal 2012 and 2011, respectively.

Total revenue attributable to the sale of directory systems decreased by $18.7 million, or 9.4%, to $180.7 million in fiscal 2012, from $199.4 million in fiscal 2011. The decrease was primarily attributable to a decrease in revenue related to managed services arrangements associated with general slowness in the directory systems market. License and service revenue from the sale of directory systems represented 5.6% and 6.3% of our total revenue in fiscal 2012 and 2011, respectively.

In fiscal 2012, revenue from customers in North America, Europe and the rest of the world accounted for 69.8%, 13.6% and 16.6%, respectively, of total revenue, compared to 73.4%, 12.7% and 13.9%, respectively, for fiscal 2011. Revenue from North American customers decreased during fiscal 2012, primarily from slower spending by AT&T and from lower revenue resulting from contractual price reductions with Bell Canada, partially offset by an increase in revenue from other customers and in revenue related to our new network control

offering. The increase in revenue from customers in Europe was primarily attributable to revenue related to transformation and implementation projects. The increase in revenue from customers in the rest of the world was primarily attributable to our activity in emerging markets.

Cost of License and Service. Cost of license and service increased by $16.1 million, or 0.8%, to $2,085.5 million in fiscal 2012, from $2,069.4 million in fiscal 2011. As a percentage of revenue, cost of license and service decreased to 64.2% in fiscal 2012 from 65.1% in fiscal 2011. The decrease in our cost of license and service as a percentage of revenue was primarily attributable to the benefits of efficiencies realized from prior investments in internal training and knowledge building programs for our employees, as well as from various process improvements. This decrease was also attributable to several key customer implementations that required incremental spending during fiscal 2011 and was partially offset by the increase in revenue from customers in emerging markets, as a percentage of total revenue, which is characterized by lower margins.

Research and Development. Research and development expense increased by $20.2 million, or 9.1%, to $242.1 million in fiscal 2012, from $221.9 million in fiscal 2011. The increase in research and development expense was primarily attributable to our network control research and development activity. Research and development expense increased as a percentage of revenue from 7.0% in fiscal 2011 to 7.5% in fiscal 2012. Please see Research and Development, Patents and Licenses.

Selling, General and Administrative. Selling, general and administrative expense increased by $15.2 million, or 3.7%, to $424.7 million in fiscal 2012, from $409.5 million in fiscal 2011. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense was primarily attributable to increased selling efforts.

Amortization of Purchased Intangible Assets and Other. Amortization of purchased intangible assets and other decreased by $20.4 million, or 28.1%, to $52.2 million in fiscal 2012, from $72.6 million in fiscal 2011. The decrease in amortization of purchased intangible assets and other was primarily due to purchased intangible assets that were fully amortized in prior periods, partially offset by amortization of intangible assets related to the fiscal 2011 acquisition of Bridgewater Systems.

Operating Income. Operating income increased by $38.1 million, or 9.4%, to $442.5 million in fiscal 2012, from $404.4 million in fiscal 2011. Operating income increased as a percentage of revenue, from 12.7% in fiscal 2011 to 13.6% in fiscal 2012. The increase in operating income as a percentage of revenue was primarily attributable to the increase of cost of service being lower than the increase in revenue, as well as to the decrease in amortization of purchased intangible assets and other. The negative foreign exchange impacts on our revenue were partially offset by positive impacts on our operating expense, resulting in a minor impact on our operating income.

Interest and Other Expense, Net. Interest and other expense, net, decreased by $7.7 million to $0.9 million in fiscal 2012, from $8.7 million in fiscal 2011. The decrease in interest and other expense, net, was primarily attributable to a $6.3 million gain resulting from the sale of our minority interest in Longshine, recorded in the three months ended March 31, 2012. Please see Note 15 to our consolidated financial statements.

Income Taxes. Income taxes for fiscal 2012 were $50.2 million on pre-tax income of $441.5 million, resulting in an effective tax rate of 11.4%, compared to 12.4% in fiscal 2011. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 11 to our consolidated financial statements.

Net Income. Net income increased by $44.7 million, or 12.9%, to $391.4 million in fiscal 2012, from $346.7 million in fiscal 2011. The increase in net income was attributable to the increase in operating income and to the decrease in interest and other expense, net, partially offset by an increase in income tax expense.

Diluted Earnings Per Share. Diluted earnings per share increased by $0.45, or 24.2%, to $2.31 in fiscal 2012, from $1.86 in fiscal 2011. The increase in diluted earnings per share resulted from the increase in net income and from the change in the diluted weighted average number of shares outstanding resulting primarily from our repurchase of ordinary shares in fiscal 2012 and 2011. Please see Note 20 to our consolidated financial statements.

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Liquidity and Capital Resources

Cash, cash equivalents and short-term interest-bearing investments. Cash, cash equivalents and short-term interest-bearing investments, net of short-term debt, totaled $1.13 billion as of September 30, 2013, compared to $0.92 billion as of September 30, 2012. The increase during fiscal 2013 was mainly attributable to $670.5 million in cash flow from operations and $213.4 million of proceeds from stock options exercised, partially offset by $367.1 million used to repurchase our ordinary shares, $112.4 million in net cash paid for an acquisition, $106.7 million for capital expenditures, net and $84.0 million of cash dividend payments. Net cash provided by operating activities amounted to $670.5 million and $514.1 million for fiscal 2013 and 2012, respectively.

Our policy is to retain sufficient cash balances in order to support our growth. We believe that our current cash balances, cash generated from operations and our current lines of credit will provide sufficient resources to meet our operational needs and to fund share repurchases and the payment of cash dividends for at least the next fiscal year.

Our interest-bearing investments are classified as available-for-sale securities. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are stated at fair value with the unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use other observable inputs to price these securities. Please see Notes 4 and 5 to our consolidated financial statements.

Revolving Credit Facility, Letters of Credit and Guarantees. In 2011, we entered into an unsecured $500.0 million five-year revolving credit facility with a syndicate of banks. The credit facility is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that we may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at our option from several pre-defined alternatives, depends on the circumstances of any advance and is based in part on our credit rating. As of September 30, 2013, we were in compliance with the financial covenants under the revolving credit facility. In September 2013, we borrowed an aggregate of $200.0 million under the facility and repaid it in October 2013.

As of September 30, 2013, we had several uncommitted lines of credit available for general corporate and other specific purposes.

As of September 30, 2013, we had outstanding letters of credit and bank guarantees from various banks totaling $64.3 million.

Capital Expenditures. Our capital expenditures, net, were approximately $106.7 million in fiscal 2013. Approximately 80%-90% of these expenditures consisted of purchases of computer equipment, with the remainder attributable mainly to leasehold improvements. Our fiscal 2013 capital expenditures were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy is to fund our capital expenditures from operating cash flows, and we do not anticipate any changes to this policy in the foreseeable future.

Share Repurchases. From time to time, our board of directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. Our current share repurchase plan authorizes the repurchase of up to $500.0 million of our outstanding ordinary shares with no expiration date. In fiscal 2013, we repurchased 10.4 million ordinary shares at an average price of $35.38 per share (excluding broker and transaction fees). As of September 30, 2013, we had remaining authority to repurchase up to $335.9 million of our outstanding ordinary shares. The authorization permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate.

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Cash Dividends. Our board of directors declared the following dividends during fiscal 2013:

Declaration Date	Dividends Per Ordinary Share	Record Date	Total Amount (In millions)	Payment Date
November 6, 2012	$ 0.13	December 31, 2012	$ 21.0	January 18, 2013
January 30, 2013	$ 0.13	March 28, 2013	$ 20.9	April 19, 2013
April 30, 2013	$ 0.13	June 28, 2013	$ 20.9	July 19, 2013
July 31, 2013	$ 0.13	September 30, 2013	$ 20.8	October 18, 2013

On November 5, 2013, our board of directors approved the next dividend payment, at the rate of $0.13 per share, and set December 31, 2013 as the record date for determining the shareholders entitled to receive the dividend, which is payable on January 17, 2014.

Our board of directors also approved on November 5, 2013 an increase in the rate of the quarterly cash dividend to $0.155 per share, which would be payable on April 17, 2014. This increase is subject to shareholder approval at our January 2014 annual general meeting of shareholders.

As a general long-term guideline, we expect to retain roughly half of our free cash flow (calculated as cash flow from operations less net capital expenditures and other) to support the growth of our business, including possible mergers and acquisitions, and return the other half to our shareholders through share repurchases and dividends. Our actual share repurchase activity and payment of future dividends, if any, may vary quarterly or annually and will be based on several factors including our financial performance, outlook and liquidity.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2013, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Long-term debt(1)	$ 201.1	$ 200.0	$	$	$ 1.1
Pension funding	20.4	2.6	7.9	3.7	6.2
Purchase obligations	18.1	11.5	6.6		
Non-cancelable operating leases	284.5	64.1	124.0	58.8	37.6
Total	$ 524.1	$ 278.2	$ 138.5	$ 62.5	$ 44.9

(1) In September 2013, we borrowed an aggregate of $200.0 million under our revolving credit facility and repaid it in October 2013.

The total amount of unrecognized tax benefits for uncertain tax positions was $130.4 million as of September 30, 2013. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are not included in the above table.

Deferred Tax Asset Valuation Allowance

As of September 30, 2013, we had deferred tax assets of $127.2 million, derived primarily from tax credits, net capital and operating loss carryforwards related to some of our subsidiaries, which were offset by valuation allowances due to the uncertainty of realizing any tax benefit for such credits and losses. Releases of the valuation allowances, if any, will be recognized through earnings.

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Critical Accounting Policies

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On a regular basis, we evaluate and may revise our estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent. Actual results could differ materially from the estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies require that we make estimates in the preparation of our financial statements as of a given date. Our critical accounting policies are as follows:

- Revenue recognition and contract accounting
- Tax accounting
- Business combinations
- Share-based compensation expense
- Goodwill, intangible assets and long-lived assets-impairment assessment
- Derivative and hedge accounting
- Fair value measurement of short-term interest-bearing investments
- Accounts receivable reserves

We discuss these policies further below, as well as the estimates and judgments involved. We also have other key accounting policies. We believe that, compared to the critical accounting policies listed above, the other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported consolidated results of operations for a given period.

Revenue Recognition and Contract Accounting

We derive our revenue principally from:

- the initial sales of licenses to use our products and related services, including modification, implementation, integration and customization services, providing managed services in our domain expertise and other related services, and

recurring revenue from ongoing support, maintenance and enhancements provided to our customers, and from incremental license fees resulting from increases in a customer s business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, we generally recognize initial license fee and related service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer s subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue from services that do not involve significant ongoing

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obligations is recognized as services are rendered. In managed services contracts, we typically recognize revenue from the operation of a customer s system as services are performed based on time elapsed, output produced, volume of data processed or subscriber count, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware sales is recognized upon delivery and installation and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

A significant portion of our revenue is recognized over the course of long-term implementation and integration projects under the percentage of completion method of accounting. When total cost estimates exceed revenues in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the project. The percentage of completion method requires the exercise of judgment on a quarterly basis, such as with respect to estimates of progress-to-completion, contract revenue, loss contracts and contract costs. Progress in completing such projects may significantly affect our annual and quarterly operating results.

We follow very specific and detailed guidelines, several of which are discussed above, in measuring revenue; however, certain judgments affect the application of our revenue recognition policy.

Our revenue recognition policy takes into consideration the creditworthiness and past transaction history of each customer in determining the probability of collection as a criterion of revenue recognition. This determination requires the exercise of judgment, which affects our revenue recognition. If we determine that collection of a fee is not reasonably assured, we defer the revenue recognition until the time collection becomes reasonably assured.

For arrangements with multiple deliverables within the scope of software revenue recognition guidance, we allocate revenue to each component based upon its relative fair value, which is determined based on the Vendor Specific Objective Evidence (VSOE) of fair value for that element. Such determination is judgmental and for most contracts is based on normal pricing and discounting practices for those elements when sold separately in similar arrangements. In the absence of fair value for a delivered element, we use the residual method. The residual method requires that we first allocate revenue based on fair value to the undelivered elements and then the residual revenue is allocated to the delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably upon commencement of the maintenance services. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification and implementation and maintenance to determine the appropriate value for the license component. Under the guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance, we allocate revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of (1) VSOE, (2) third-party evidence of selling price for that element, or (3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration for non-software arrangements. We determine ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which we offer our services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

Revenue from third-party hardware and software sales is recorded at a gross or net amount according to certain indicators. In certain arrangements, we may earn revenue from other third-party services which is recorded at a gross amount as we are the primary obligor under the arrangement. The application of these indicators for gross and net reporting of revenue depends on the relative facts and circumstances of each sale and requires significant judgment.

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Tax Accounting

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and reimbursement arrangements among related entities, the process of identifying items of revenue and expenses that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. We also assess temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting differences. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We may record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome and in assessing the need for the valuation allowance, there is no assurance that the final tax outcome and the valuation allowance will not be different than those that are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such determination is made.

We recognize the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, or changes in tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

We have filed or are in the process of filing tax returns that are subject to audit by the respective tax authorities. Although the ultimate outcome is unknown, we believe that any adjustments that may result from tax return audits are not likely to have a material, adverse effect on our consolidated results of operations, financial condition or cash flows.

Business Combinations

In accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilitie